A SUPPLEMENTAL UPDATE OF THE BUDGET FOR FISCAL YEAR 2021

COMMUNICATION

FROM

THE ACTING DIRECTOR, THE OFFICE OF MANAGEMENT AND BUDGET

TRANSMITTING

A SUPPLEMENTAL UPDATE OF THE BUDGET FOR FISCAL YEAR 2021, PURSUANT TO 31 U.S.C. 1106(a); PUBLIC LAW 97–258, SEC. 1106(a); (96 STAT. 911)

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FISCAL YEAR 2021

A BUDGET FOR AMERICA'S FUTURE

MID-SESSION REVIEW

BUDGET OF THE U.S. GOVERNMENT

OFFICE OF MANAGEMENT AND BUDGET | OMB.GOV

EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET
WASHINGTON, D.C. 20503

July 1, 2020

The Honorable Nancy Pelosi
Speaker of the House of Representatives
U.S. House of Representatives
Washington, D.C. 20515

Dear Madam Speaker:

Section 1106 of Title 31, United States Code, requires the President send to the Congress a supplemental update of the Budget that was transmitted to the Congress earlier in the year. The supplemental update of the Budget, commonly known as the Mid-Session Review, is enclosed.

Sincerely,

Russell T. Vought
Acting Director

Enclosure

Identical letter sent to The Honorable Michael R. Pence

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GENERAL NOTES

1. Unless otherwise noted, years referenced for budget data are fiscal years, and years referenced for economic data are calendar years.
2. All totals in the text and tables include both on-budget and off-budget spending and receipts.
3. Web address: *https://budget.gov*

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SUMMARY

The Office of Management and Budget (OMB) is required by 31 U.S.C. 1106 to produce a supplemental update of the Budget, commonly known as the Mid-Session Review (MSR), to provide updated information to the Congress on the Budget and obligations of the U.S. Government. The MSR reflects changes in obligations, current information on estimated outlays and receipts, and the condition of the Treasury (i.e., debt).

Since the release of the 2021 Budget, the short-term economic outlook has changed dramatically and rapidly. The public health emergency (PHE) resulting from the COVID-19 pandemic, along with the economic contraction resulting from many State-level stay-at-home and social distancing orders, has transformed the Federal fiscal outlook in the near and immediate term.

The Administration has taken action to address the PHE, minimize the economic impact of social distancing measures, and ensure a rapid return to economic prosperity. Actions include prioritizing the public health response, delaying tax payments, and reducing the regulatory burden for small businesses. The President has also signed into law four stimulus bills, increasing the deficit by nearly $3 trillion over the 10-year budget window.

In most years, OMB goes beyond the statutory requirements for the MSR and develops a revised set of economic variables that agencies use to develop re-estimates of baseline outlays and spending. This year, given the jump in economic uncertainty caused by the COVID-19 public health emergency and the resulting economic downturn, the MSR does not report updated economic assumptions or provide updated revenue and deficit estimates for the budget window. Any such estimates would be entirely speculative, given the range of uncertainty underlying potential future paths of economic growth.

Instead, this year's MSR reports on actual changes in spending and revenues to date, and changes to outlays and receipts for 2020 and 2021 where they are known. The MSR also reports expected changes due to legislative and administrative activity since February 2020 in cases where estimation is possible. OMB will work with agencies on a case-by-case basis to ensure they have the information needed to prepare for the 2022 Budget.

ECONOMIC OVERVIEW

Since the 2021 Budget's economic forecast was finalized in November 2019 and released in February 2020, a global pandemic has given rise to a dramatic shift in the economic landscape.

Notably:

- The 2021 Budget anticipated real Gross Domestic Product (GDP) growth averaging 2.9 percent during the 11-year forecast interval, but real GDP fell at an annualized rate of 5.0 percent in the first quarter of 2020 and will not grow at the projected rate of 3.1 percent over the four quarters of 2020.

- The Budget assumed the unemployment rate would continue to decline in the near term and then rise slightly to a long-run equilibrium of 4.0 percent. Due to the COVID-19 pandemic, the unemployment rate rose to 14.7 percent in April before edging down to 13.3 percent in May.

- Consumer Price Index (CPI) inflation was expected to rise to 2.3 percent during the four quarters of 2020, a rate consistent with Federal Reserve targets. Interest rates were expected to remain steady in the near term, then settle at a rate roughly consistent with rates implied by the term structure of current rates. Instead, core CPI inflation was just 1.2 percent during the 12 months through May while interest rates have fallen to historic lows.

Signs of future strength, however, have appeared. Consumer confidence has stabilized, low mortgage rates will eventually boost housing demand, and regional business outlook surveys show that firms expect economic activity to increase in the coming months. In May, payroll employment increased 2.5 million, and retail sales increased 17.7 percent. Even though the unemployment rate spiked to 14.7 percent in April, it retraced some of that increase in May. Matching workers to jobs will be easier than usual during the recovery because nearly 73 percent of unemployed workers in May reported that they were on temporary layoff and expected to be recalled to their previous jobs.[1] States also continue to implement plans to safely reopen their economies, which should help improve national employment and consumer spending.

[1] The report showed 15.3 million out of the 21.0 million unemployed workers reporting to be on temporary layoff: https://bls.gov/news.release/empsit.nr0.htm.

IMPLICATIONS FOR RECEIPTS AND EXPENDITURES

Expansions and contractions of the economy impact Federal receipts and outlays, generally in opposite directions, and can greatly affect deficits. The cumulative 2020 deficit as of May is $1,880 billion, reflecting the impact of the COVID-19 PHE and the effect of stay-at-home orders and social distancing guidelines on the economy. This compares with the 2019 year-to-date deficit of $739 billion.

Receipts to date have decreased by $256 billion relative to the same period last year. While this difference is largely due to the economic impact of COVID-19, actual receipts also are lower this year due to the delay in Federal tax filing deadlines from April to July and tax relief policies enacted into law in the CARES Act and other legislation that responds to COVID-19. While receipts through May are down compared from prior years, receipts for the full fiscal year will recover somewhat after the delayed July 15 filing deadline.

Changes in Federal spending are typically driven by the cost of large entitlement programs, such as Social Security, Medicare, and Medicaid, as well as by appropriations and budget agreements enacted by the Congress. Growth in outlays increases markedly during periods of economic contraction as individuals and businesses rely on Federal programs that provide relief to those experiencing financial hardship. For example, outlays for Federal programs that provide income support, food assistance, and health care for individuals and families with lower incomes are countercyclical, rising during periods of lower GDP and higher unemployment.

In addition to these countercyclical changes in Federal spending, the Administration has worked with the Congress to enact major legislation to respond to COVID-19. To date, the President has signed into law:

- The Coronavirus Preparedness and Response Supplemental Appropriations Act, 2020 (Public Law 116-123);
- The Families First Coronavirus Response Act (Public Law 116-127, FFCRA);
- The Coronavirus Aid, Relief, and Economic Security Act (Public Law 116-136, CARES Act); and
- The Paycheck Protection Program and Health Care Enhancement Act (Public Law 116-139).

These supplemental Acts, which affected both discretionary and mandatory spending, provided additional resources for combatting the spread of COVID-19 at the local, State, national, and international levels. The enacted legislation also supported the U.S. economy and the American people by ensuring that employers could keep employees on payrolls as the pandemic placed enormous strain on the Nation's businesses and non-profit organizations.

This legislation has contributed to a large increase in spending and reduction in revenues compared with the 2021 Budget. In total, the four legislative packages to date are estimated to have a deficit impact of nearly $3 trillion, with many of the effects occurring in 2020 as an immediate response to the PHE and economic downturn. Table 1 shows the additional spending provided in the four laws to date, for those provisions that provided definite amounts.

Another substantive component of three of the four bills (and the FFCRA and CARES Act in particular) are changes to mandatory programs and the tax code that could have a range of outlay and receipt effects depending on the length of the PHE and the economic forecast. While this document does not update the Administration's economic forecast, and therefore does not attempt to measure the deficit impact of these changes, the Congressional Budget Office (CBO) and the Joint Committee on Taxation (JCT) estimated the budgetary effects of those Acts using updated unemploy-

Table 1. ESTIMATED OUTLAYS FROM LAWS ENACTED IN RESPONSE TO COVID-19 SINCE THE RELEASE OF THE BUDGET

(In billions of dollars)

	2020	2021
The Coronavirus Preparedness and Response Supplemental Appropriations Act (Public Law 116–123):		
Discretionary	1.6	2.8
Families First Coronavirus Response Act (Public Law 116–127):		
Discretionary	7.9	5.7
Mandatory (Definite)	24.6	1.0
Coronavirus Aid, Relief, and Economic Security Act (Public Law 116–136):		
Discretionary	126.6	90.7
Mandatory (Definite)	459.9	178.6
The Paycheck Protection Program and Health Care Enhancement Act (Public Law 116–139):		
Discretionary	71.4	23.5
Mandatory (Definite)	188.5	125.7

Notes: This table does not score changes to entitlement or revenue provisions, as those would require updated economic assumptions. Amounts are reflected as discretionary or mandatory as scored at enactment. Estimated outlays for Public Law 116-136 and Public Law 116-139 reflect changes to the Paycheck Protection Program enacted in the Paycheck Protection Program Flexibility Act of 2020 (Public Law 116-142).

ment projections. CBO estimated that FFCRA would increase mandatory outlays by $95 billion and decrease receipts by $94 billion, and that the CARES Act would increase mandatory outlays by $988 billion and decrease receipts by $408 billion. While CBO did make some updates to economic projections for these scores, the agency also recognized the limitation of point estimates noting those "estimated effects are extremely uncertain because they depend on the severity of the novel coronavirus pandemic and its related economic effects" in the estimate for FFCRA and that "actual costs could vary significantly" in the estimate for the CARES Act.

The effect of the PHE and its economic effects can also be seen in actual outlays and receipts to date. Outlays through May equaled 81 percent of the Budget estimate for all 12 months of 2020, a larger percentage of the estimate than the average for the past five years (65 percent). Receipts through May comprised 54 percent of the annual estimate, a lower percentage than the average for the past five years (65 percent). See Table 2 for comparison of outlays to date and estimates for selected programs for the current year of the respective Budget.

Table 2. OUTLAYS AND RECEIPTS THROUGH MAY 2020, AS A PERCENTAGE OF THE ESTIMATE IN THE BUDGET, COMPARED TO THE AVERAGE FOR THE PAST FIVE YEARS

	Year-to-date total through May 2020, in billions of dollars	Year-to-date total through May 2020, as a percentage of the annual estimate for 2020	Year-to-date total through May, as a percentage of the annual estimate, 2015-2019 average
Outlays for selected programs:			
Agriculture:			
Child Nutrition	17.2	75	74
Supplemental Nutrition Assistance Program	46.8	71	64
Education:			
Elementary and Secondary Education	20.5	83	65
Health and Human Services:			
Medicaid	292.8	65	66
Medicare	532.0	76	65
Departmental Management [1]	68.6	1,417	48
Homeland Security:			
Disaster Relief	10.8	79	64
Labor:			
Unemployment Insurance	161.0	518	67
Small Business Administration	25.6	N/A	N/A
Transportation:			
Federal Transit Administration	11.6	81	57
Treasury (excluding gross interest on debt securities)	578.2	464	122
Memorandum:			
Outlays, total	3,899.5	81	65
Receipts, total	2,019.2	54	65

[1] Includes Public Health and Social Services Emergency Fund

N/A=Not available. Current year estimates in the Budget for the Small Business Administration are typically less than $500 million and occasionally negative due to credit reestimates of the agency's loan portfolio. The comparison of outlays to date as a percentage of those estimates is not meaningful.

Receipts

Receipts to date for 2020 have decreased by $256 billion relative to the same period last year, largely because of the delay in tax filing deadlines from April to July, and the negative impact of COVID-19 on wages and profits. As the PHE begins to subside, economic activity is likely to increase, and tax receipt levels tied to wages and profits will rise as a result.

Baseline changes

Reduced profits and wages have an immediate and direct impact on collections of corporation income taxes, withheld individual income taxes, and social insurance and retirement receipts (payroll taxes).

In order to provide individuals and businesses with additional liquidity to weather the crisis, the Secretary of the Treasury delayed this year's tax filing and payment deadlines to July 15, 2020. Individuals and businesses have an additional quarter to file and make payments of final 2019 tax liability, and quarterly estimated payments for preliminary 2020 tax liability. This also delayed the normal infusion of receipts into the Treasury from April to July, because a large portion of payments for individual and corporation income taxes are made in the days before the filing date. After that time, the impact of the PHE on receipts will be clearer.

In the first eight months of 2020, receipts were $2,019 billion, a reduction of $256 billion relative to the same period in 2019. This effect is primarily attributable to lower collections of individual income taxes of $268 billion—reflecting lower withheld collections of $25 billion, lower nonwithheld collections of $275 billion, and lower refunds of $34 billion. Collections of corporation income taxes were also lower than last year by $27 billion, and excise tax receipts were $21 billion lower. However, social insurance and retirement receipts were $41 billion higher than the same period last year.

Legislative changes

Two recently enacted laws provided various tax relief for businesses and individuals facing difficulties related to COVID-19.

FFCRA provided refundable tax credits for employers who provide paid sick and family leave to individuals impacted or caring for family members affected by COVID-19.

In addition, the CARES Act included a number of tax relief provisions for individuals and businesses. It created a temporary employee retention tax credit to encourage businesses to keep employees on payroll and allowed businesses to claim advances for this and for the FFCRA credits. It delayed payment of the employer share of payroll taxes through the end of calendar year 2020 and allows employers to repay them over the next two years, which will reduce receipts this calendar year, but increase receipts over the subsequent two years. The CARES Act also allows taxpayers to use the full amount of their business losses to offset nonbusiness income for tax years 2018 through 2020, and provided a five-year carryback for net operating losses in 2018, 2019, or 2020, allowing firms to modify tax returns up to five years prior to offset taxable income from those years. It also suspended aviation excise taxes through the rest of calendar year 2020; waived penalties for certain early withdrawals and waives required minimum distribution rules for certain retirement accounts in 2020; created a partial above-the-line deduction for non-itemizers of up to $300 in charitable contributions; excluded from taxation certain employer-paid student loan repayments; and reduced the period over which the cost of improvements to certain nonresidential real estate must be depreciated from 39 to 15 years, along with other, smaller provisions.

Future expected trends in receipts

The full effect of the pandemic on 2020 and 2021 receipts will depend upon the length of the PHE, the duration of social distancing measures, and ultimately the effects on economic activity.

Receipt collections in 2021 may remain lower than the Budget estimate. Even assuming robust economic growth after the stay-at-home orders are lifted, receipts are expected to be lower than projected in the Budget merely because the declines in first- and second- quarter GDP are projected to be so large that even a strong rebound will leave annual average income lower. CBO estimates a robust recovery in 2021 (four-quarter GDP growth of 2.8 percent in 2021 after falling by a projected 5.6 percent in 2020), and has estimated that receipt collections will remain below previously-projected levels through 2021.

Expenditures

Because of the unprecedented response to the COVID-19 pandemic, outlays for the first eight months of the fiscal year reached $3,900 billion, an increase of $886 billion (29 percent) compared with the same period last year. Actuals for the entire year are expected to well exceed the Budget estimate of $4,790 billion for 2020. Higher outlays for programs in the Departments of Labor, Health and Human Services (HHS), and the Treasury are the primary contributors to the change from last year. The growth in outlays is expected to decline as the Nation re-opens and the economy rebounds.

Mandatory Programs

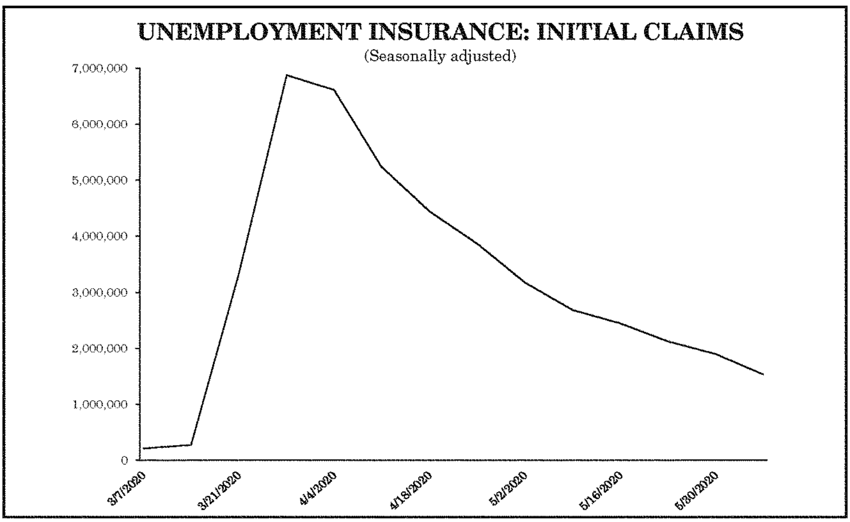
Definite appropriations in enacted legislation have increased estimated mandatory outlays by over $900 billion (see Table 1). The sections below describe the impact of those appropriations and administrative actions on estimated outlays in 2020 and 2021, and the following four years (through 2025) where known. These sections do not report updates to Budget estimates where those updates rely on economic assumptions.

Unemployment Insurance

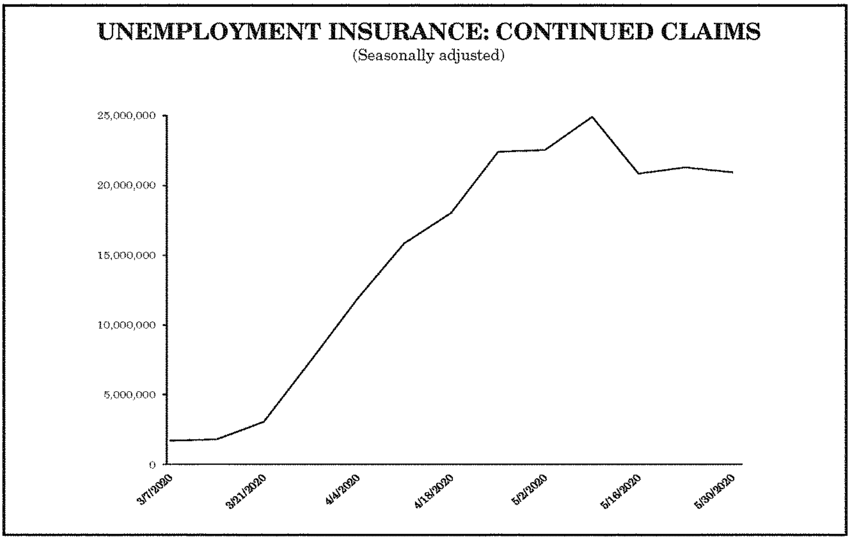
Baseline changes

Unemployment Insurance (UI) is a joint Federal-State program providing temporary and partial wage replacement to individuals who are involuntarily unemployed through no fault of their own. Each State determines its own benefit formula, which is generally based on a percentage of prior earnings, up to a cap. The nationwide average weekly benefit payment is $378, which can be paid for a maximum of 26 weeks in most States. While States design and operate their own programs, they operate within the Federal framework provided by the Social Security Act. Benefit payments are financed by State Unemployment Tax Act (SUTA) taxes. Federal Unemployment Tax Act (FUTA) taxes fund State administrative costs, typically make up 50 percent of the cost of the Extended Benefits (EB) program discussed in more detail below, and provide loans to insolvent State trust funds.

Since March 14, 2020, 44.2 million people have applied for regular UI on a seasonally-



Source: U.S. Department of Labor



Source: U.S. Department of Labor

adjusted basis. Weekly claims have far exceeded the number recorded during the peak of the Great Recession (UI claims peaked in 2009). Because some workers who lost their jobs during the COVID-19 pandemic may not have yet filed for UI, this could understate the number of workers losing their jobs (or filing a claim due to reduced hours) since mid-March.

The insured unemployment rate (IUR), or the number of people receiving UI divided by the labor force, was 14.4 percent nationwide, up from 1.2 percent in March. State employment officials report COVID-19 related layoffs across nearly every industry, with particularly harsh impacts in leisure and hospitality (36 percent decline in employment), the service sector (18 percent decline), and construction (13 percent decline). A State qualifies for 13 or 20 weeks of federally-funded Extended Benefits (EB) once its 13-week IUR exceeds 5 percent and is higher than the previous two years. The EB program is available to workers who have exhausted regular UI benefits during periods of high unemployment. As of June 11, 2020, 48 States have met or exceeded the threshold of high unemployment and triggered onto EB, and two more may trigger eligibility later this month.

Current levels of unemployment are significantly higher than the levels assumed in the 2021 Budget. As a result, expenditures for unemployment compensation have far exceeded the Budget estimate. The same is true for the cost of administering State UI programs, which fluctuates along with demand for the program. Outlays for unemployment compensation are also likely to be higher over the five-year window relative to the 2021 Budget, as employment returns to pre-pandemic trends.

Legislative changes

In addition to a surge in claims, legislation enacted over the past two months has led to a substantial increase in UI outlays. FFCRA provided up to $1.0 billion in emergency transfers to State agencies for unemployment compensation administration expenses, and increased the Federal share of EB to 100 percent through the end of calendar year 2020.

Additionally, the CARES Act increased benefits and expanded coverage to the self-employed, independent contractors, and those with limited work history, among others. Major provisions of the CARES Act include:

- Federal Pandemic Unemployment Compensation (FPUC). FPUC increases weekly benefits by $600 through July 31, 2020. An estimated $110 billion has been obligated for FPUC as of June 5, 2020.

- Pandemic Unemployment Assistance (PUA). PUA is a new program that provides UI benefits for the self-employed and "gig workers," among other groups. This benefit is available through December 31, 2020. In addition to the 44.2 million people that have applied for regular UI, 9.7 million people nationwide have filed continuing claims for PUA, and another 706,000 PUA applications are under review in 42 States that reported data as of June 6, 2020. The estimated cost of PUA to date is $11.3 billion.

- Pandemic Emergency Unemployment Compensation (PEUC). PEUC provides an additional 13 weeks of benefits on top of regular benefits, which last for 26 weeks in most States, until the end of December 2020. An estimated $2.1 billion has been paid in additional weeks of benefits under PEUC.

These provisions provide affected workers the ability to mitigate the spread of COVID-19 by maintaining distance from others, while ameliorating the economic downturn as these workers purchase food and pay their mortgages or rent, reducing the overall impact on the economy.

Future expected trends in UI

The cost of these provisions is particularly uncertain because it depends on the length of the PHE and the ultimate effects of the pandemic on the labor market.

CBO projects the unemployment rate will average 15 percent over the second and third quarters of calendar year 2020. The first quarter unemployment rate was 3.1 percent. However, as jurisdictions begin to repeal or expire their stay-at-home orders and business activity gradually rebounds, the labor market is expected to improve, particularly starting in the fourth quarter of 2020.

Medicare

Baseline changes

Spending for Medicare through the first eight months of the fiscal year reached $532 billion, an increase of $69 billion, or 15 percent compared with the same period last year. The growth in spending this year is largely due to actions to accelerate or increase payments due to the COVID-19 PHE. Those actions include accelerated and advance claim payments to providers and suppliers, as authorized under current law and expanded by the CARES Act. Those advances shifted the timing of payments forward, resulting in higher outlays in the near-term and potentially lower outlays for future payments that are offset to recoup accelerated and advanced amounts. The effect of accelerated and advance claim payments was offset in part by reduced health care utilization at the beginning of the PHE, as providers responded to guidance that recommended limiting elective procedures. The Administration has also taken regulatory and administrative actions to broaden access to certain Medicare services during the COVID-19 PHE, which may result in outlay changes.

Legislative changes

In addition to expanding the accelerated and advance claim payments to providers and suppliers, the CARES Act also created a Medicare hospital inpatient prospective payment system add-on payment for COVID-19 patients, and increased payments for durable medical equipment by delaying scheduled payment reductions. Medicare outlays also may be affected by provisions in the FFCRA and the CARES Act that eliminate cost-sharing under Part B for certain medical visits associated with COVID-19 testing and for vaccines, expand telehealth coverage, increase access to post-acute care, and delay payment reductions for clinical diagnostic laboratory tests. Additionally, the CARES Act suspended Medicare sequestration from May 1 through December 31, 2020, which will increase outlays. It also extended sequestration of mandatory spending an additional year, through 2030, which will decrease outlays during that period.

Future expected trends in Medicare

These administrative and legislative actions discussed above will increase Medicare outlays through the duration of the COVID-19 PHE and may lead to higher outlays in 2021 than estimated in the Budget.

Changes in the utilization of health care services, the number of Medicare beneficiaries, and spending per beneficiary also will affect Medicare outlays in 2021 and the following four years. The assumptions necessary to estimate the impact of these factors on future Medicare outlays cannot be accurately calculated at this time.

Medicaid

Baseline changes

Medicaid outlays through the first eight months of the fiscal year have increased by $24 billion (or 9 percent) compared with the same period last year. Before the COVID-19 pandemic, 2020 outlays for Medicaid were expected to be lower than estimated in the Budget. However, Medicaid spending in 2020 is expected to rise to support the response to COVID-19 both as a result of higher enrollment and as a result of enacted law.

Legislative changes

The FFCRA increased the Federal Medicaid match rate by 6.2 percentage points for States and Territories that maintain eligibility and enrollment criteria for the length of the PHE, to provide fiscal relief and help States manage increased enrollment and health care costs. CBO estimated this provision will provide an additional $50 billion to States, before accounting for increases in enrollment. The FFCRA also created a new option for States to cover certain uninsured individuals at 100 percent Federal match for COVID-19 testing.

Future expected trends in Medicaid

Outlays for Medicaid in 2021 are likely to exceed Budget estimates, largely due to the impact of the COVID-19 PHE and legislative changes that increased the Federal Medicaid match rate by 6.2 percentage points for a period of time. Additionally, the FFCRA delayed and decreased reductions in State Medicaid Disproportionate Share Hospital (DSH) allotments required by the Affordable Care Act and subsequent legislation. By decreasing the reduction, the FFCRA will increase Federal Medicaid outlays by $4 billion between 2021 and 2025. Other actions that are estimated to affect Medicaid outlays in 2021 include any continuing or subsequent actions affecting COVID-19 testing and treatment costs and the economic contraction.

Technical changes that may affect future outlays in 2021 and the following four years, beyond the direct effects of the COVID-19 pandemic, include: whether delayed discretionary medical care rebounds; changes in utilization, enrollment or per-beneficiary spending; and beneficiary access to health care providers and facilities. The assumptions necessary to estimate the impact of these factors on future Medicaid outlays cannot be accurately calculated at this time.

Other mandatory programs

Baseline

While some of the largest spending increases since the release of the 2021 Budget were in Unemployment Insurance, Medicare, and Medicaid, outlays for other mandatory programs have also increased. Outlays for the Supplemental Nutrition Assistance Program (SNAP) in April and May were higher than earlier months this fiscal year in part due to increased participation.

Legislative changes

The CARES Act created a number of new programs to support small businesses and certain distressed industries. Notably, the CARES Act established the Paycheck Protection Program (PPP) to provide forgivable low-cost loans to businesses that keep their workers on payroll, and provided $349 billion for this program. An additional $321 billion was provided for PPP in the Paycheck Protection Program and Health Care Enhancement Act, and the Paycheck Protection Program Flexibility Act of 2020 (Public Law 116-142) provided technical and programmatic fixes to the programs. The CARES Act and the Paycheck Protection Program and Health Care Enhancement Act also authorized new Economic Injury Disaster Loan (EIDL) grant programs, making available $20 billion in EIDL grants and certain other small-business loans.[1]

The CARES Act also created an economic impact payment for individuals. The law provided a refundable 2020 tax credit of up to $1,200 for individuals and $2,400 for married couples filing jointly and $500 for children under the age of 17. The payment phases out for individuals starting at $75,000, for head of household at $112,500, and for couples at $150,000. JCT and CBO estimated a deficit impact of $292 billion.

The CARES Act also authorized grants, loans, and equity purchases to support certain hard-hit industries, States, and localities, and to backstop losses for the Federal Reserve when creating new lending facilities. The law appropriated $500 billion to the Department of the Treasury for these economic stabilization activities. It also provided $150 billion for a Coronavirus Relief Fund to provide general economic support to States, localities, and tribal governments. These funds can be used to address medical or public health needs related to COVID-19, as well as unemployment or business closures.

In the case of Federal student loans, administrative actions taken by the Department of Education, and provisions in the CARES Act suspended principal and interest payments on federally held student loans, and set the interest rate to zero, through September 30, 2020.

Finally, the FFCRA and the CARES Act provided an estimated $34 billion in additional resources to nutrition programs, such as SNAP and school meals, for the COVID-19 PHE. Specifically, those acts appropriated an additional $8.8 billion for Child Nutrition, $15.5 billion for the SNAP Contingency Fund, $300 million for nutrition assistance block grants to territories, $100 million for the Food Distribution Program on Indian Reservations, and an estimated $8.9 billion for the new pandemic electronic benefit transfer (EBT) program to feed low-income children while schools are closed.

[1] The $10 billion for EIDL grants provided by the Paycheck Protection Program and Health Care Enhancement Act was scored as discretionary and executed as mandatory. This report's tables showing budget authority provided by that Act or estimated outlays include those grants in discretionary totals as scored.

Future expected trends

Most additional funds provided to SBA to support small businesses are expected to be obligated and outlayed in 2020. The Paycheck Protection Program Flexibility Act of 2020 extended the period during which borrowers may use a loan and extended the loan forgiveness period through December 31, 2020.

The costs of the Treasury's economic stabilization activities are measured in accordance with the provisions of the Federal Credit Reform Act of 1990. Using this methodology, which estimates the cost of loans and other investments accounting for the estimated present value of expected returns or losses on those investments, CBO estimated the Treasury economic stabilization provisions would have no cost. OMB's estimate is not final, as the terms of some of the programs under the economic stabilization provisions are still under development, but OMB expects that the costs of the programs measured under credit reform will be substantially less than the face value of the investments. Regardless, because costs are measured at their present value at the time of disbursement, the deficit impact of these provisions will be recognized in 2020 and 2021. Relief provided to student loan borrowers will similarly be recorded under credit reform, and impact the deficit in 2020.

Table 3. DISCRETIONARY BUDGET AUTHORITY PROVIDED IN THE FOUR SUPPLEMENTALS

(In billions of dollars)

	Budget Authority
The Coronavirus Preparedness and Response Supplemental Appropriations Act (Public Law 116-123, Div. A)	7.8
Families First Coronavirus Response Act (Public Law 116-127, Div. A)	11.3
Coronavirus Aid, Relief, and Economic Security Act (Public Law 116-136, Div. B)	329.5
The Paycheck Protection Program and Health Care Enhancement Act (Public Law 116-139, Div. B)	162.1
Total Discretionary Budget Authority	510.7

Note: The Seven-Day-After reports are available on OMB's website: https://whitehouse.gov/omb/legislative/budget-enforcement-act-7-day-reports/

Most SNAP funding is expected to outlay in 2020 and the remainder will outlay in 2021. The Child Nutrition funding is designed to cover additional anticipated costs associated with waivers authorized by the FFCRA during the PHE.

Estimated expenditures from mandatory programs for the four years following the Budget year

The sections above on mandatory spending describe programs where there are quantifiable, substantive changes from the 2021 baseline estimates (as included in the 2021 Budget) due to the effects of COVID-19 and enacted legislation. For other mandatory programs, such as Social Security, assumptions that would allow for updated estimates to future fiscal year outlays (from the 2021 Budget) are not available.

Discretionary Programs

Before accounting for the COVID-19 response, outlays for non-defense discretionary programs relative to the Budget were expected to be slightly higher in 2020 ($1.2 billion) and slightly lower in 2021 (-$0.5 billion) due to small policy changes and technical fixes. No notable changes were expected in outlays for defense programs.

The enacted supplemental legislation for COVID-19 provided nearly $511 billion in discretionary budget authority, which substantially increases estimates of discretionary outlays. As a result of this authority, defense outlays are estimated to increase by $7 billion in 2020 and $2 billion in 2021 while non-defense programs are estimated to increase by $201 billion in 2020 and $121 billion in 2021. The remaining authority is estimated to outlay in subsequent years.

The largest new discretionary supplemental appropriations were provided in the CARES Act, including:

- $127 billion for the Public Health and Social Services Emergency Fund for countermeasures and support for emergency response and healthcare entities.

- $45 billion for the Disaster Relief Fund for emergency protective measures including: personal protective equipment (PPE) and medical supplies, temporary medical facilities and personnel, sheltering, and 100 percent of National Guard Title 32 costs until August 21, 2020.

- $35 billion for Transportation: Transit Infrastructure Grants ($25 billion) and Grants in Aid for Airports ($10 billion). The transit grants cover capital and operating expenses to maintain service, and to reimburse lost revenue due to the PHE. The airport grants cover operating and capital expenses at over 3,000 airports. Both grants reflect nearly three times the level of funding provided for these programs in 2020.

- $31 billion for the Education Stabilization Fund to support States, school districts, and institutions of higher education to prevent, prepare for, and respond to COVID-19, as well as direct financial assistance to students that can be used to cover education, food, housing, healthcare, and child care expenses.

In addition, the Paycheck Protection Program and Health Care Enhancement Act provided $50 billion for Economic Injury Disaster Loans to provide small businesses and private, non-

Table 4. ESTIMATED SPENDING FROM 2021 BALANCES OF BUDGET AUTHORITY: DISCRETIONARY PROGRAMS

(In billions of dollars)

	Total
Outlays from end-of-2021 balances:	
2022	850.6
2023	366.8
2024	149.3
2025	69.5
2026	37.7
2027	20.8
2028	13.5
2029	7.2
2030	5.2

Note: Required by 31 USC 1106(a)(3). Balances as of the end of 2021 include unspent balances of discretionary budget authority provided in 2021 and prior years, as well as unspent balances of mandatory contract authority that is subject to discretionary obligation limitations.

profit organizations low interest loans to alleviate economic injury caused by COVID-19.

Table 4 shows the outlays from balances of budget authority carried over from 2021, as required by subsection (a)(3) of the MSR statute (31 U.S.C. 1106). Balances as of the end of 2021 include unspent balances of discretionary budget authority provided in 2021 and prior years, as well as unspent balances of mandatory contract authority that is subject to discretionary obligation limitations.

IMPLICATIONS FOR FEDERAL BORROWING AND DEBT

The 2021 Budget projected that debt held by the public would increase by $1,080 billion in 2020, to $17,881 billion. The $1,080 billion increase in debt held by the public was comprised of the projected $1,083 billion deficit, slightly offset by a net -$3 billion in other transactions affecting borrowing from the public, such as the change in the Treasury cash balance and the cash flows of Federal credit programs.

In May, in conjunction with the Quarterly Refunding, the Department of the Treasury announced projected 2020 borrowing totaling $4.5 trillion. The higher-than-estimated 2020 increase in debt held by the public is due both to the higher expected deficit and to higher financing needs associated with other transactions affecting borrowing from the public. The Budget had projected that the Treasury cash operating balance would increase by $3 billion in 2020, to $385 billion. In May, Treasury announced an expected end-of-2020 cash balance of $800 billion.

For risk management purposes, Treasury seeks to maintain a cash balance roughly equal to at least one week of Government outflows. The higher cash balance is needed to manage the changes to outlays and receipts associated with the COVID-19 impacts and Federal response. In addition, the net cash flows of Federal loan and loan guarantee programs have increased due to the creation of the Paycheck Protection Program and the Treasury credit support provided under Section 4003 of the CARES Act, as well as the suspension of many student loan payments in the current fiscal year.

Debt held by the public is also expected to grow more quickly in 2021 than had been projected in the Budget, due to the higher projected borrowing required to finance the Federal deficit and the continued higher net cash flows for Federal credit programs.

Due to the changes to outlay, receipt, and other financing projections discussed throughout this document, 2020 and 2021 end-of-year debt held by the public are projected to be higher than the Budget estimates.

EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET
WASHINGTON, D.C.

BUDGET OF THE U.S. GOVERNMENT

FISCAL YEAR 2021